

## Exhibit H



# Offshore Income and Filing Information for Taxpayers with Offshore Accounts

FS-2014-7, June 2014

U.S. citizens, resident aliens and certain nonresident aliens are required to report worldwide income from all sources including foreign accounts and pay taxes on income from those accounts at their individual rates.

There are many legitimate reasons for holding offshore accounts, including convenience, investing and to facilitate international transactions. By law, U.S. taxpayers are not permitted to use offshore accounts, such as foreign bank and securities accounts as well as trusts, to avoid paying tax.

In most cases, affected taxpayers need to fill out and attach Schedule B to their tax returns. Part III of Schedule B asks about the existence of foreign accounts and usually requires U.S. citizens to report the country in which each account is located. Certain taxpayers may also have to fill out and attach to their return Form 8938, Statement of Foreign Financial Assets, if the aggregate value of those assets exceeds certain thresholds that vary depending on filing status and whether the taxpayer lives abroad. Additional filing requirements apply to those with foreign trusts.

Separately, taxpayers with foreign accounts whose aggregate value exceeds \$10,000 any time during the year must file a Form 114, Report of Foreign Bank and Financial Accounts (FBAR) electronically through FinCEN's [BSA E-Filing System](#). The FBAR is not filed with a federal tax return and must be filed by June 30 each year.

The reporting requirements of the Form 8938 and FBAR differ. More [details](#) on who must file and the specific type of assets that must be reported for both forms can be found on the IRS.gov.

Failure to report the existence of offshore accounts or pay taxes on these accounts can lead to civil and criminal penalties.

For the Form 8938, the penalty may be up to \$10,000 for failure to disclose and an additional \$10,000 for each 30 days of non-filing after IRS notice of a failure to disclose, for a potential maximum penalty of \$60,000; criminal penalties may also apply.

For the FBAR, the penalty may be up to \$10,000, if the failure to file is non-willful; if willful, however, the penalty is up to the greater of \$100,000 or 50 percent of account balances; criminal penalties may also apply.

Taxpayers with undisclosed accounts should consider options available under the expanded streamlined filing process or the Offshore Voluntary Disclosure program.

### Related Items:

- [Options Available for U.S. Taxpayers with Undisclosed Foreign Financial Assets](#)

- Offshore Voluntary Disclosure Program
- Statement of IRS Commissioner John Koskinen
- IR-2014-73, IRS Makes Changes to Offshore Programs; Revisions Ease Burden and Help More Taxpayers Come into Compliance
- FS-2014-6, IRS Offshore Voluntary Disclosure Efforts Produce \$6.5 Billion; 45,000 Taxpayers Participate

*Page Last Reviewed or Updated: 21-Dec-2019*